

UMTSHEZI MUNICIIPALITY



Annual Report 2007/2008

UMTSHEZI MUNICIPALITY



INDEX

CHAPTER 1: INTRODUCTION AND OVERVIEW

1.1 Mayor's Foreword	2
1.2 Overview of the Municipality	
1.2.1 Composition of Council	3-4
1.2.2 Overview of the Municipality	5-15
1.3 Executive Summary	16-18

CHAPTER 2: PERFORMANCE HIGHLIGHTS

2.1 Highlights of service delivery	19-21
------------------------------------	-------

CHAPTER 3: HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

3.1 Corporate Services	22-58
3.2 Social and Community Services	59-82
3.3 Electricity Department	83-89

CHAPTER 4: AUDITED FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION

4.1 Auditor's Report	90-95
4.2 Action Plan for Audit Concerns	96-99
4.3 Audit Committee Report	100-102
4.4 Annual Financial Statements	103-126

UMTSHEZI MUNICIPALITY



MAYOR'S FOREWORD

It is with great pleasure that I reflect on the past year and summarise our service delivery priorities in terms of the established targets and emphasise measures that have been taken to improve performance.

Firstly, the Municipality had various housing projects during the 2007/2008 financial year. Many of these projects have been completed with only two projects currently remaining, namely Kwezi Hostel Housing Project and the Wembezi 'A' Section Housing Project. The Housing Sector Plans and Wembezi 'C' projects were completed and handed over. We are proud that these projects are addressing our housing delivery targets and providing people with shelter and homes.

In addition to the housing projects, many of the areas have been electrified and many of the households within the remote rural areas have received alternative energy in the form of solar panels. Again, we are proud that the Municipality could provide the basic right of electricity to many of the people living in its jurisdiction.

Due to the economic climate, the financial affairs of the Municipality had been slightly unstable. The Municipal Manager and her staff, coupled with the support of the Council, had made some difficult decisions that have borne fruit. Although the financial situation is not at its optimum level, the situation has improved. It is with great pride and with much commendation to the Municipal Manager and her staff, that I say that the Municipality had received an unqualified audit report. This is a positive sign and lays the foundation for positive improvement regarding the financial affairs of the Municipality.

There have been many challenges experienced during the year, but the Municipality has endured and has overcome many. Many still lie ahead, but I believe that with the determination and vision that is shared by the Municipal Staff and Politicians alike, we will overcome them.

HIS WORSHIP THE MAYOR: COUNCILLOR ML SHELEMBE
UMTSHEZI MUNICIPALITY

UMTSHEZI MUNICIPALITY



OVERVIEW OF THE MUNICIPALITY

COMPOSITION OF COUNCIL

MAYOR: Councillor ML Shelembe
DEPUTY MAYOR: Councillor MJ Ntshaba
SPEAKER: Councillor BA Dlamini

MEMBERS OF THE EXECUTIVE COMMITTEE AND COUNCIL

Cllr S Bandu	Cllr BA Dlamini
Cllr RP Gericke	Cllr MP Khanyile
Cllr SJ Magesa	Cllr SN Mchunu
Cllr LE Mhlongo	Cllr SC Mlele
Cllr NV Mtiya	Cllr PL Mvelase
Cllr MJ Ntshaba	Cllr ML Shelembe
Cllr PJ Sokhela	Cllr DM Vahed

UMTSHEZI MUNICIPALITY MANAGEMENT

ANNUAL REPORT 2007/2008
COMPOSITION OF COUNCIL

UMTSHEZI MUNICIPALITY



Municipal Manager
Director: Finance
Director: Corporate Services
Director: Planning, Economic & Community Services
Director: Technical Services
Snr Manager: Electrical Services

Patricia Nonhlanhla Njoko
Vacant
Vincent Bhekisisa Mbatha
Siyabonga Siyanda Sabelo Manyanga
Vacant
Delani Khumalo

MEMBERS OF THE PORTFOLIO COMMITTEES

Infrastructure, Housing & Town Planning Committee

BA Dlamini - Chairperson
ML Shelembe
RP Gericke

IDP, Finance, Local Economic Development & Tourism Committee

ML Shelembe - Chairperson
MJ Ntshaba
BA Dlamini
RP Gericke

Sports, Gender & Vulnerable Groups Committee

SN Mchunu - Chairperson
MP Khanyile
SC Mlele

Human Resources, Transformation and Safety/Security Committee

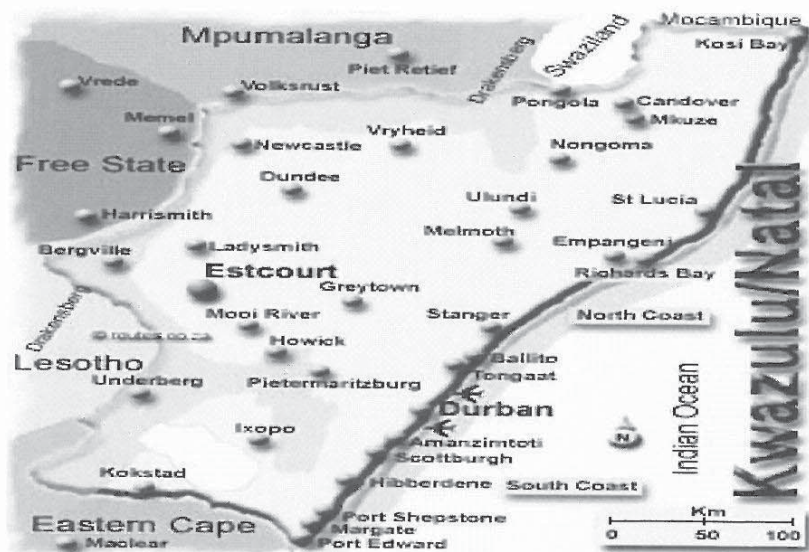
MJ Ntshaba - Chairperson
BA Dlamini
LE Mhlongo
PL Mvelase

UMTSHEZI MUNICIPALITY



OVERVIEW OF THE MUNICIPALITY

Location



Umtshezi Municipality comprises parts of the Magisterial Districts of Weenen and Estcourt, the informal settlements of Cornfields, Thembalihle, Mimosadale, and numerous settlements around Weenen. It is located approximately 165 km northwest of Durban and 400 km southeast of Johannesburg. The National Road N3 also traverses the Municipality on its western portion linking these two major cities i.e. Durban and Johannesburg. Umtshezi covers 2 129.82 square kilometres and has a population of approximately 50 000, with 9 500 households. It boasts

UMTSHEZI MUNICIPALITY



well-established industrial, commercial and residential areas as well as rich agricultural farmlands.

It is the largest commercial centre in the Midlands region, and an important service centre for nearby Mooi River, Winterton, Bergville, Colenso and Weenen. The area has a rich history and a range of cultures. The urban areas originally developed as stopover points for ox wagons. Weenen is a small agricultural town that is starting to emerge as a tourist destination.

THE PEOPLE

The majority of the people are concentrated in urban areas and in farming areas but there are a few patches of high-density settlements within informal areas. The population is very young, with the majority of people (65%) being under the age of 29 years. There are fewer people under 5 years old and in the 20 - 49 year group, in proportion to other age groups. This is assumed to be as a result of poverty, pandemic and endemic diseases.

There are 43 schools in the area but the majority of these require basic services and upgrading. It is estimated that a total of 120 schools are required in the area. The majority of people live in formal urban dwellings. People in the rural areas are extremely poor and require financial and technical support.

Health services are presently undergoing revitalisation. The present policy is to improve primary health care to relieve the burden on hospitals. There are 23 primary health care clinics within the district.

There is an under-provision of police stations and post offices in Umtshezi. Police stations are located in Estcourt, Wembezi and Weenen.

UMTSHEZI MUNICIPALITY



There is still a back log in service provision in the rural areas, which is currently being addressed.

POPULATION

Estcourt previously comprised of a population of approximately 3 407 whites, 710 coloureds, 5 432 asians and 1 296 blacks as per the census taken in 1991. The latest population estimation as of 2008 is 68314 persons are residing in Umtshezi municipality. The population of nearby Wembezi is approxiametly 25 000. It is estimated that the area immediately surrounding Estcourt/Wembezi is home to approxiametly a quarter million people, mostly living in the rural environment.

There are also other black homelands in the vicinity of Estcourt from which the town draws a great deal of its labour.

UMTSHEZI ECONOMIC ANALYSIS

The economic analysis undertaken in the Status Quo report indicates that the poverty and unemployment rates in Umtshezi have increased, with employment opportunities not being created quickly enough for the number of people entering the labour force. The Development Bank (2005) has clearly indicated that employment (a job or an income generating activity) is the best protection against poverty. This means that any strategy

UMTSHEZI MUNICIPALITY



must protect and build formal employment and assist the poor and second economy participants to access opportunities.

The balance between the two approaches and the use of available resources is also important.

FORMAL SECTOR

The economy experienced a negative growth rate until 1999 – 2000, and even since then has exhibited a fluctuating growth rate in spite of the national positive growth. In terms of sectors the area has had mixed success. The three most positive private sectors remain agriculture, manufacturing and trade. These are also the three most important sectors historically. The three sectors differ in their forecast in terms of potential growth, challenges, and the future of employment demand.

The manufacturing and agri-processing sectors remain important, but have experienced a decline. The Estcourt area has been a key centre for the processing of agricultural products (60% of manufacturing was previously in food processing) – mostly meat and dairy products. There are obvious important backward and forward linkages between agriculture and food processing which can be exploited. The manufacturing sector was well established in the past but has experienced a steady decline with a number of large firms closing down. The decline was partly a result of the national slow down in the sector, but also as a result of industries moving to larger centres. The remaining industries are exhibiting growth as the sector as been growing in terms of GDP/GVA, but not in

UMTSHEZI MUNICIPALITY



employment. The upturn in manufacturing will not necessarily lead to industries coming back.

The agricultural sector is well established and indicates a level of stability in terms of employment. There are two key challenges in the sector. The first is that there is a dependency on traditional crops and products with very little innovation or value addition. The second is that the sector appears to be struggling with the possible impacts of land reform. There have been some positive signs as the Estcourt Farmers Association has been investigating the local solution developed at Besters near Ladysmith. At the same time there is also the area proposed for the Gongolo Game Reserve which has been unable to develop a common vision.

The decline in manufacturing employment is notable and a cause for concern. The decline is probably associated with the closure of some firms, the sensitive nature of the sector to broader trends (foreign exchange, cost of raw material, transport etc) and an increase in mechanization. The sector has been growing in terms of GDP/GVA, but not in terms of employment. The increase in employment in community services is largely linked to the establishment of wall to wall local government and the expansion of the public sector. This trend will tend to slow as new government structures have been established. The stability in employment in the agricultural sector is positive as this sector is a large employer and has experienced a general down turn in employment at a national level. The construction sector should be showing an improved growth in employment, as should trade. There may have been additional capacity in these sectors which meant growth could take place without additional employment. Additional capacity may also have been taken on as

UMTSHEZI MUNICIPALITY



'casuals' without permanent employment being created. Finance has remained stable, although the sector is growing.

INFORMAL SECTOR

The most disturbing trend is that unemployment and poverty levels will continue to increase unless a new approach is developed. This is despite a growing economy (see Table 1 below). The point is that the economy will not create as many formal sector opportunities as there are job seekers. Future opportunities need to be generated in more creative ways.

Unemployment Rate: 1996 and 2004			
	Male	Female	Total
1996	43.6%	57.5%	50.0%
2004	53.1%	73.7%	62.7%

The statistics generated in the status quo assessment indicates the total number of people involved in the informal sector as follows:

	Manufacturing	Construction	Trade	Transport	Finance	Community Services	Total Information
Estcourt	388	434	1,493	84	82	537	3,019
Weenen	11	0	215	0	0	70	296
Total	398	434	1,708	84	82	607	3,315

This is probably an under assessment². It does not clearly identify the number of small businesses as some of the people counted above will in fact be employees in the sector.

ANNUAL REPORT 2007/2008 OVERVIEW OF THE MUNICIPALITY

UMTSHEZI MUNICIPALITY



Trade obviously dominates the informal sector, with community services following. (A community service in this context refers to service providers such as telephone kiosks.) It is unlikely that the second economy will disappear; it is a more realistic approach to manage and support the people who are involved in the second economy. The LED strategy must investigate ways in which the second economy or informal sector can be developed and supported.

Economy

Umtshezi Municipality is an Agricultural driven town, it has a the largest farming - Livestock Industries, i.e. bacon factory, processed food factory occupies the ideal spot for any manufacturing industry.

It is adjacent to the N3 national highway, and lies on the Johannesburg-Durban electrified main railway line, facilitating the transportation of goods to and from the town. Umtshezi has a highly efficient, reliable and cost effective electrical infrastructure, which supplies its large industries with all the power they need to run their plants. An abundance of water, from the Bushman's River, which flows into the nearby Wagendrift Dam, ensures that the industrialists are suitably served in terms of their water requirements. In addition, water tariffs remain extremely favourable.

Estcourt is well known for some of its industries such as the Eskort Bacon Factory, producing sausages and other meat products known throughout many parts of the world; Nestle (the largest factory of its kind in the Southern Hemisphere); Masonite producing

UMTSHEZI MUNICIPALITY



hardboard, softboard and related timber products; glassware; nylon goods; maize products and textiles.

Local Economic Initiatives include:

- Establish Local Producers' Centre Showroom.
- Develop market establishment programme including informal market along R74 and close to N3
- Undertake feasibility of establishing Local Development Fund
- Establish incentives to attract investment opportunities
- Support Midlands Investment Initiative
- Establish 'Taxi City' in Estcourt
- Establish Commercial Fish Farming Private Sector
- Build linkages with regional and national farmer and agricultural groupings
- Establish entertainment programmes incorporating rural villages
- Support development of Bushman's River Experience

Tourism

The area has many areas of scenic beauty. There are mountainous areas, mainly in the north, and numerous river valleys, such as the Uthukela River along the northern boundary, and the Bushman's River, which traverses the centre of the municipal area. The Bushman's River is well suited to development for eco-adventure tourism as there are numerous settlement nodes in close proximity to the river. The potential for development is heightened by the fact that the water is of a very high quality and the river is ideal for canoeing and river-rafting.

UMTSHEZI MUNICIPALITY



The scenic 980 ha Wagendrift Nature Reserve surrounds the Wagendrift Dam and is situated just off the main N3 highway near Estcourt. Boating and fishing are the primary guest activities around the dam, and a relaxed three kilometre self-guided trail winds along the Bushman's River providing opportunity to observe the wildlife and bird life of the reserve

Weenen was established in 1838 on the banks of the Bushman's River and named (The Place of Weeping) in memory of Zulu-massacred Voortrekkers. Weenen is today a fascinating mix of history and eco/cultural-tourism. To name a few well known tourists attractions:

- Weenen Biosphere (Weenen Game Reserve)
- Giants Castle

CHAMBER OF COMMERCE

A strong Chamber with active members can make a big difference to the quality of life of all inhabitants of a town because the Chamber can serve as a focal point for all businesses to concentrate their creative energies in finding and implementing solutions to the problems they are experiencing. Together, as a team, the members can make a difference.

UMTSHEZI MUNICIPALITY



Estcourt/Wembezi is fortunate to have an involved, dynamic team of business men and women at the Chamber of Commerce table. In the past few years they have been instrumental in launching the local tourism office and also the local Community Policing Forum. The CPF has done a great deal in combatting crime in Estcourt and Wembezi.

Chamber of Commerce and Council Interaction

The town has an active Chamber of Commerce and Industry and the Mayor of Umtshezi, His Worship Cllr Shelembe, is working hard with the Estcourt Chamber to promote business here. A business forum between the Estcourt Chamber of Commerce and Industry and Council has been formed with the two bodies working together for the betterment of Umtshezi.

INFRASTRUCTURE

Transport

Umtshezi occupies the ideal spot for any manufacturing industry. It is adjacent to the N3 national highway, and lies on the Johannesburg-Durban electrified main railway line, facilitating the transportation of goods to and from the town. Umtshezi has a highly efficient, reliable and cost effective electrical infrastructure, which supplies its large industries with all the power they need to run their plants. An abundance of water, from the Bushman's River, which flows into the nearby Wagendrift Dam, ensures that the industrialists are suitably served in terms of their water requirements. In addition, water tariffs remain extremely favourable. A vast labour resource in the area ensures that labour needs are amply met. Estcourt's industrial area is well situated in relation to the labour sources of the town. A well-maintained aerodrome services Estcourt for any executive who needs to fly in to town. The possible expansion of the industrial area has been suitably planned for and there is much land available in the Broomcliffe area to accommodate this.

UMTSHEZI MUNICIPALITY



The recent acquisition of yet another large industry for Estcourt, the Karbotek Carbon Plant, has shown that outside industrialists have had enough faith in Umtshezi to invest in our area.



The larger established industries are:

- Nestle(SA)(Proprietary)Limited
- Eskort Bacon
- Masonite(Africa)Limited
- SASKO
- Narrowtex
- Glamosa Glass
- Clover(SA)
- Karbotek

DRAFT UMTSHEZI MUNICIPALITY

UMTSHEZI MUNICIPALITY



EXECUTIVE SUMMARY

The uMtshezi Municipality is a medium capacity local municipality situated in the Uthukela District. Its geographical location and demographics are as described above.

VISION, MISSION AND PRINCIPLES AND VALUES

OUR VISION

“By 2020, Umtshezi Local Municipality will be the champion of a sustainable Development and Safe Environment”

OUR MISSION

The Umtshezi Municipality in partnership with other sectors / stakeholders are committed to:

- Providing and enabling an economic and social development environment
- Striving to provide housing with bulk infrastructure
- Establishing and maintaining community networks that promote healthy engagement between the Municipality and its stakeholders
- Developing Umtshezi in a way that does not compromise future generations
- Work co-operatively with other spheres of government and the private sector.
- Continuously provide service in an equitable manner taking into account Batho Pele Principles

UMTSHEZI MUNICIPALITY



VALUES AND PRINCIPLES OF THE MUNICIPALITY:

- ✦ Develop neutral local government
- ✦ Clear administration
- ✦ Transparency
- ✦ Community Development
- ✦ Public Participation
- ✦ Human Rights
- ✦ Accountability
- ✦ Due processes followed – legislation
- ✦ Sustainability
- ✦ Co-operative government
- ✦ Service Delivery

The Municipality is also governed by legislative mandates as follows:

LEGISLATIVE MANDATES

- Constitution of the Republic of South Africa – Chapter 7
- Municipal Structures Act
- Municipal Systems Act
- Municipal Finance Management Act
- Local Government Municipal Planning and Performance Management Regulations
- Batho Pele White Paper on the Transformation of Service Delivery
- White Paper on Local Government

As is seen above, the Municipality has a clear vision and mission statement and abides by the legislative mandates that are bestowed on all spheres of government. Our main aim is service delivery and the chapters below describe in detail the achievements that the Municipality has made and also highlight the backlogs that exist and possible solutions.

UMTSHEZI MUNICIPALITY



The highlights of the performance of the Municipality are described in Chapter 2 with detailed reports in Chapters 3. The annual financial statements are in Chapter 4.

As is mentioned in the Mayor's foreword, the Municipality had many challenges through the year, braved many storms and turbulent seas, but still overcame the obstacles, stronger, and ready to face the other challenges that lie ahead.

DRAFT UMTSHEZI MUNICIPALITY

**ANNUAL REPORT 2007/2008
EXECUTIVE SUMMARY**

UMTSHEZI MUNICIPALITY



CHAPTER 2 HIGHLIGHTS

The Municipality has made huge strides during the 2007/2008 financial year in terms of economic development and community services. Below is summary of the highlights from the planning, economic and community services department as well as from the electricity department.

PLANNING ECONOMIC & COMMUNITY SERVICES DEPARTMENTAL HIGHLIGHTS

1. Umtshezi municipality received a certificate from the MEC for Agriculture and Environmental Affairs, for being amongst the top ten KwaZulu-Natal Cleanest town 2007 / 2008 of the 61 municipalities
2. Umtshezi municipality received grant funding of R30 Million from National Treasury towards the Wembezi Urban Renewal Project and Wembezi Interchange
3. Umtshezi municipality successfully launched its LOCAL AIDS COUNCIL in July 2007
4. Umtshezi municipality successfully launched its Local Economic Development forum in June 2008
5. Umtshezi municipality successfully established the Special Programmes Policy and department by end June 2008 comprising, HIV/AIDS, Youth and Gender, Disable and Pensioners and Sports Department. The Youth, Gender, HIV/AIDS, Disable Officer and Sports officer has been appointed as of 01 July 2008.
6. Umtshezi municipality has for the first time provided fully-fledged support to poverty alleviation programmes, e.g. Community Gardens, Tractors, Support to NGOs, and CBOs (financial and municipal facilities), Keep uMtshezi Clean programme, etc.
7. Umtshezi municipality held a successful 50th Anniversary of the Hildene Swimming Pool and it was well attended by Councillors, Officials and members of the community and important guests were invited and swimming KZN provided swimming lessons to both urban and rural children
8. Umtshezi has internally upgraded the Weenen Tennis Court / Stadium success fully, comprising, soccer, netball, volleyball and rugby being the major facility provided
9. Umtshezi municipality has completed the municipal communication strategy

Below is a table that depicts the general statistical information for the Municipality:

	2008	2007
--	------	------

ANNUAL REPORT 2007/2008 HIGHLIGHTS